

## Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 PM-03 INR-07 L-03 ACDA-10

NSAE-00 PA-02 PRS-01 SP-02 USIA-15 TRSE-00 SAJ-01

SS-15 NSC-05 EB-07 OMB-01 MC-02 ARA-10 ERDA-07 EA-10

FRB-01 CIEP-02 /117 W

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R 031719Z JUL 75

FM AMEMBASSY BONN

TO SECSTATE WASHDC 1202

INFO USMISSION NATO BRUSSELS

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DEPARTMENT PLEASE PASS TREASURY

E.O. 11652: N/A

TAGS: EFIN, GW

SUBJECT: GERMAN PRESS ON OFFSET

REF: BONN 10277

1. THE FOLLOWING SUMMARIZES RECENT GERMAN PRESS AND NEWS AGENCY REPORTS REGARDING OFFSET. THE ARTICLES HAVE APPEARED SUBSEQUENT TO THE CHANCELLOR'S PRESS CONFERENCE REPORTED REFTEL.

2. THE DPA REPORT: THE "NEW YORK TIMES" IN REPORTING ON POSSIBLE NEW OFFSET NEGOTIATIONS MISSED THE POINT THAT BONN AND WASHINGTON HAVE ALREADY REACHED A MAJOR DEGREE OF AGREEMENT. COMMENTING ON CHANCELLOR SCHMIDT'S STATEMENT ON JUNE 25 THAT THERE WAS NO URGENCY REGARDING A NEW OFFSET AGREEMENT, THE STATE DEPARTMENT SAID HESITANTLY THAT PAST OFFSET AGREEMENTS HAD SERVED TO REDRESS U.S. BALANCE OF PAYMENTS. WITH NOTED IMPROVEMENTS IN THE BALANCE OF PAYMENTS SITUATION, THE STATE DEPARTMENT COULD HARDLY HAVE BEEN CLEARER, IN INDICATING

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ITS UNDERSTANDING OF THE GERMAN POSITION... ANY NEW

OFFSET AGREEMENT WHICH DOUBTLESSLY WOULD NOT BE CONCLUDED BEFORE NEXT SPRING WOULD BE CONSIDERABLY MORE MODEST THAN THOSE IN THE PAST. INCREASES MIGHT BE EXPECTED IN CONTRIBUTIONS TO BARRACK REHABILITATION FOR U.S. TROOPS BUT THERE WOULD BE FEWER FRG LOANS TO THE U.S. THE DOLLAR/DEUTSCHEMARK RELATIONSHIP MOREOVER HAS CHANGED SO THAT WHATEVER PAYMENTS PROVIDED BY THE FRG IN A NEW AGREEMENT WILL BE EASIER FOR THE GERMAN FISCAL PEOPLE TO SWALLOW... THE PURCHASE OF U.S. WEAPONS MAY STILL PLAY A MAJOR ROLE. HOWEVER, INQUIRIES IN WASHINGTON BY BONN INDICATE THAT THE U.S. ARMAMENT INDUSTRY IS FULLY BOOKED WITH ORDERS.

3. GENERAL ANZEIGER (BONN, INDEP., JULY 1, 1975): THE END OF JUNE BRINGS THE EXPIRATION OF THE CURRENT OFFSET AGREEMENT. BONN IS NOT ABOUT TO BEGIN NEGOTIATIONS FOR A NEW AGREEMENT SINCE THE U.S. BALANCE-OF-PAYMENTS SITUATION HAS RECOVERED. ADDITIONALLY THE GERMAN PUBLIC HAS DEVELOPED A DEGREE OF SELF-CONFIDENCE THAT WOULD REVOLT AGAINST U.S. "EXTORTION." IF SOME INDIVIDUALS IN WASHINGTON GROW INDIGNANT ABOUT THIS NEW GERMAN ATTITUDE, BONN CAN WEATHER THE STORM.

4. WESTDEUTSCHE ALLGEMEINE ZEITUNG (ESSEN, INDEP, JUNE 27): FRONT PAGE ARTICLE. BONN IS "OBVIOUSLY" NOT READY TO CONCLUDE ANOTHER OFFSET AGREEMENT WITH WASHINGTON. REFERRING TO SCHMIDT'S STATEMENT THAT HE DOES NOT CONSIDER THE CONCLUSION OF ANOTHER OFFSET AGREEMENT AN URGENT MATTER, THE REPORT SAID BONN HOPES THAT THE U.S. GOVERNMENT WILL HAVE UNDERSTANDING FOR THE GERMAN ATTITUDE IN THIS MATTER, PARTICULARLY IN VIEW OF GERMANY'S BUDGET SITUATION AND THE "CONSIDERABLE IMPROVEMENT" IN AMERICAN BALANCE-OF-PAYMENTS SINCE THE

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END OF THE VIETNAM WAR.

5. THE WESTDEUTSCHE ALLGEMEINE ZEITUNG, JUNE 27  
EDITORIAL: EVEN BEFORE THE CONTROVERSY OVER DELIVERING  
NUCLEAR PLANTS TO BRAZIL HAS BEEN SETTLED, ANOTHER  
CONFLICT WITH THE U.S. IS IN THE MAKING ... NAMELY  
OFFSET. WHILE THE CONTROVERSY OVER DELIVERING SUCH  
PLANTS TO BRAZIL IS COMPLICATED, THE QUESTION OF  
INTEREST IN REGARD TO OFFSET PAYMENTS FOR U.S. FORCES  
STATIONED IN GERMANY IS SIMPLE. THE EXPENDITURES FOR  
STATIONING AMERICAN TROOPS IN EUROPE ARE PART OF THE  
CONTRACTUAL OBLIGATIONS OF THE AMERICANS BECAUSE THESE  
TROOPS ARE STATIONED HERE ALSO IN THE INTEREST OF  
AMERICA. THE PREVIOUS OFFSET AGREEMENTS HAVE AIMED AT  
PREVENTING PARTICULAR DISADVANTAGES FOR THE AMERICANS  
FROM STATIONING THEIR TROOPS HERE. SUCH DISADVANTAGES  
EXISTED AS LONG AS THE AMERICAN BALANCE-OF-PAYMENTS  
POSITION WAS NEGATIVE. WHILE NO REVERSAL HAS YET TAKEN  
PLACE, A TURN FOR THE BETTER IN AMERICAN BALANCE-OF-  
PAYMENTS IS IN THE MAKING. THE U.S. IS RECOVERING FROM  
THE BURDENS OF THE VIETNAM WAR AND IT IS NOT AS HEAVILY  
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AFFECTED AS EUROPE BY THE OIL CRISIS. THE U.S. IS  
REALIZING SURPLUSES WHILE FRG FOREIGN EXCHANGE RESERVES  
ARE BEGINNING TO MELT AWAY. THE CHANGED SITUATION HAS  
TO BE TAKEN INTO CONSIDERATION WHEN THE OLD OFFSET  
AGREEMENT EXPIRES.  
HILLENBRAND

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